



Director of
Central
Intelligence

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Contents

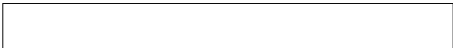
Sudan: *Threat to Devaluation* 1



25X1

Saudi Arabia: *Drawdown of Foreign Reserves* 3

Israel-Zaire: *Foreign Minister's Visit* 4



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25X1
25X1

Top Secret

25X1

SUDAN: Threat to Devaluation

The National Assembly is threatening to revoke the recently imposed devaluation, a move that could lead to even more serious economic and political problems for President Nimeiri.

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The Speaker of the Assembly has informed the US Embassy in Khartoum that a vote to override the devaluation order will be taken early this week. He claims the people will not allow the regime to carry out measures that would cause substantial price increases, and he alleges Nimeiri will approve the vote.

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The economic situation continues to deteriorate. Gasoline lines are long, and the country periodically is on the brink of running out of petroleum products.

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Comment: The devaluation is extremely unpopular. Government officials are worried that higher prices could cause widespread unrest and topple the regime.

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Rescinding the devaluation, however, would be a major setback to Sudan's efforts to reach an agreement with the IMF. This in turn would endanger critical debt rescheduling, in which the US has played the leading role. The widespread belief among Sudanese that Washington supports--and possibly is managing--the IMF's stringent conditions will complicate efforts to dissuade Sudan from revoking the devaluation.

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Nimeiri's position on the issue remains unclear. He probably could prevent action by the Assembly. On the other hand, if he concludes that his political survival is at stake, he may decide to go along with an override vote.

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25X1

25X1

Page Denied

Top Secret

25X1

25X1



SAUDI ARABIA: Drawdown of Foreign Reserves

Riyadh has begun to use maturing reserve assets to make up for declining oil earnings. Saudi officials forecast a \$5 billion budget deficit for the current fiscal year, which ends next April. The use of reserve funds reportedly was authorized by the Council of Ministers following completion of a prolonged budget review. The Saudis reportedly also are reducing expenditures, including those for highway and communication projects already under way. [REDACTED]

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Comment: The Saudis decided to draw on their reserves rather than cut the budget more deeply because the political repercussions will be less serious. In addition, most spending now is tied to projects already under way. [REDACTED]

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ISRAEL-ZAIRE: Foreign Minister's Visit

Israeli Foreign Minister Shamir reached agreements during his visit to Zaire last week that provide for increased Israeli agricultural and technical assistance and for talks on expanded military aid. The Israelis stressed that their own problems make a large-scale economic aid program impossible. President Mobutu, anxious to avoid being identified with Israel against the Palestinians, reportedly turned down an offer of weapons seized from the PLO. The two sides also discussed plans for further visits by senior Israeli and Zairian officials, including a possible trip by Prime Minister Begin to Zaire early next year.

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Comment: Despite each side's public claims of satisfaction with the status of bilateral relations, both seem somewhat disappointed with developments since diplomatic ties were restored last May. The Zairians privately complained to Shamir that the resumption of formal ties with Tel Aviv have not resulted in greater US economic and political support for Kinshasa. The Israelis had hoped that other African states would follow Mobutu's lead in reestablishing relations, but none has done so.

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